

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)	
DTE GAS COMPANY)	
for approval of the reconciliation of its 2015 energy)	Case No. U-18024
optimization plan expenses filed pursuant to)	
Public Act 295 of 2008.)	
_____)	

At the November 22, 2016 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman
Hon. Norman J. Saari, Commissioner
Hon. Rachael A. Eubanks, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On May 16, 2016, DTE Gas Company (DTE Gas) filed an application, with supporting testimony and exhibits, for authority to reconcile its 2015 energy optimization (EO) plan revenues and expenses.

A prehearing conference was held on July 12, 2016, before Administrative Law Judge Dennis W. Mack. DTE Gas and the Commission Staff participated in the proceedings. Subsequently, the parties submitted a settlement agreement resolving all issues in the case.

According to the terms of the settlement agreement, attached as Exhibit A, the parties agree that during the 2015 calendar year, DTE Gas's EO plan complied with the requirements of 2008 PA 295, MCL 460.1001 *et seq.* (Act 295). DTE Gas's EO plan achieved energy savings in excess of the legislated energy savings target of 1,240 million cubic feet (MMcf) of audited deemed

savings by achieving 1,480 MMcf of verified net savings and accomplishing a utility system resource cost test (USRCT) of 4.18. Further, the parties agreed that DTE Gas's 2015 planned EO program expenses were \$24.4 million and the actual EO program expenses were \$24.0 million.

Based on the operation of the approved EO surcharges during 2015, DTE Gas had a net over-recovery of \$10.2 million. The parties further agree that the calculated cumulative 2015 overrecovery will be carried forward to 2016 on a customer class basis and used as beginning balances for the 2016 reconciliation.

The parties also agree that, after the Commission issues an order approving the settlement agreement, DTE Gas may use the 2013 performance incentive overrecovery of \$3,645 to reduce the \$3.6 million 2015 performance incentive awarded in this case, which will be recovered over a 12-month period beginning January 1, 2017, as set forth in Attachment A to the settlement agreement.

The Commission finds that the settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

- A. The settlement agreement, attached as Exhibit A, is approved.
- B. DTE Gas Company is authorized to implement the surcharges set forth in the tariff sheets for bills rendered on and after January 1, 2017.
- C. Any over- or underrecovery resulting from the surcharges shall be reflected in DTE Gas Company's next energy optimization plan reconciliation proceeding beginning balance.
- D. Within 30 days of the date of this order, DTE Gas Company shall file tariff sheets substantially similar to those attached to the settlement agreement.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so by the filing of a claim of appeal in the Michigan Court of Appeals within 30 days of the issuance of this order, under MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel. Electronic notifications should be sent to the Executive Secretary at mpscdockets@michigan.gov and to the Michigan Department of the Attorney General - Public Service Division at pungpl@michigan.gov. In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General - Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Sally A. Talberg, Chairman

Norman J. Saari, Commissioner

Rachael A. Eubanks, Commissioner

By its action of November 22, 2016.

Kavita Kale, Executive Secretary

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of DTE Gas Company's)	
Application for Approval of the)	
Reconciliation of Its 2015 Energy)	Case No. U-18024
Optimization Plan Expenses filed)	(Paperless e-file)
<u>Pursuant to Public Act 295 of 2008</u>)	

STIPULATION AND SETTLEMENT AGREEMENT

Pursuant to Section 78 of the Administrative Procedures Act of 1969 ("APA"), as amended, MCL 24.278 and Rule 431 of the Rules of Practice and Procedure before the Michigan Public Service Commission ("MPSC" or "Commission"), the undersigned parties agree as follows:

1. This Stipulation and Settlement Agreement ("Settlement Agreement") between DTE Gas Company ("DTE Gas") and Michigan Public Service Commission Staff ("Staff"), (collectively, the "Parties") is intended by the Parties as a final settlement and satisfaction of all issues before the Commission in the 2015 reconciliation of DTE Gas's Energy Optimization Plan ("EO Plan") expenses filed in Case No. U-18024.

2. On October 6, 2008, the "Clean, Renewable, and Efficient Energy Act," 2008 PA 295, MCL 460.1001 et seq. ("Act 295") was signed into law. Act 295 requires certain electric providers and natural gas providers to file proposed EO plans with the Commission for its review and approval. Act 295 states that the overall goal of the EO plan is to reduce the future costs of providing electric and natural gas service to customers.

3. On March 29, 2016, the Commission issued an Order in Case No. U-18024 directing DTE Gas to file the Company's 2015 EO reconciliation by May 15, 2016. On June 16,

2016, the Commission directed DTE Gas to publish a notice of hearing in newspapers of general circulation in DTE Gas's service territory. A prehearing conference was conducted on July 12, 2016 at which a procedural schedule was adopted, and Staff and DTE Gas appeared as the only parties participating in this case. In an attempt to efficiently resolve the matter, the Parties have agreed to enter into a full settlement of this case and recommend approval by the Commission of the following items.

4. The Parties acknowledge that during 2015, DTE Gas implemented and operated the EO plan approved in Case No. U-17050 which includes: (1) energy savings targets established by PA 295; (2) offerings for each customer class, including low income residential; (3) specific funding levels; (4) cost recovery mechanisms allowing recovery of EO plan costs; (5) EO programs, excluding program offerings to low income residential customers, that are cost-effective; and (6) practical and effective administration of the programs. Staff has audited DTE Gas's books and records and finds the results of the audit warrant agreement with the reconciliation numbers filed in DTE Gas's Application as further supported by the associated testimony and exhibits.

5. The Parties agree that DTE Gas's EO plan implemented during 2015 achieved compliance with the requirements of Act 295 of a utility system resource cost test ("USRCT") score of greater than one and the legislated energy savings of 0.75% of 2014 planned retail sales. The Parties acknowledge that DTE Gas actually exceeded these requirements by accomplishing a USRCT score of 4.18 and by achieving 1,480 MMcf of verified net energy savings. In addition, the Parties agree that DTE Gas earned the performance incentive approved by the Commission in its December 6, 2012 Order in Case No. U-17050.

6. The Parties agree that the 2015 planned EO program spend was \$24.4 million and the actual EO program spend was \$24 million. Based on the operation of the approved EO surcharges during 2015, DTE Gas had a net over recovery of \$10.2 million. The Parties further agree that the calculated cumulative over recovery for 2015 will be carried forward into 2016 on a customer class basis and used as beginning balances for the 2016 reconciliation.

7. The Parties also agree that after the Commission issues an order approving the Settlement Agreement, DTE Gas may use the 2013 performance incentive over recovery of \$3,645 to reduce the \$3.6 million 2015 performance incentive awarded in this case which will be recovered over a twelve month period beginning effective January 1, 2017 as set forth in Attachment A to this Settlement Agreement.

8. The Parties request that the Commission enter an order approving DTE Gas's 2015 EO Plan reconciliation and approve as set forth in Attachment A to this Settlement Agreement and the implementation of the revision to the EO Plan surcharge as discussed above, and inclusion of the over or under recovery resulting from the issuance of the surcharges in DTE Gas's next EO Plan reconciliation proceeding beginning balance.

9. This Settlement Agreement is entered into for the sole and express purpose of reaching a compromise among the Parties. All offers of settlement and discussions relating to this Settlement Agreement are considered privileged under MRE 408. If the Commission approves this Settlement Agreement without modification, neither the Parties to this settlement nor the Commission shall make any reference to, or use this Settlement Agreement or the order approving it, as a reason, authority, rationale, or example for taking any action or position or making any subsequent decision in any other case or proceeding; provided however, such

references may be made to enforce or implement the terms of the Settlement Agreement and the order approving it.

10. This Settlement Agreement is not severable. Each provision of this Settlement Agreement is dependent upon all other provisions of this Settlement Agreement. Failure to comply with any provision of this Settlement Agreement constitutes failure to comply with the entire Settlement Agreement. If the Commission rejects or modifies this Settlement Agreement, this Settlement Agreement shall be deemed to be withdrawn, and shall not constitute any part of the record in this proceeding or be used for any other purpose, and shall not operate to prejudice the pre-negotiation positions of any party.

11. This Settlement Agreement is reasonable and in the public interest, and will reduce the time and expense of the Commission, its Staff, and the Parties.

12. The Parties agree to waive Section 81 of 1969 PA 306 (MCL 24.281), as it applies to the issues in this proceeding, if the Commission approves this Settlement Agreement without modification.

13. This Settlement Agreement may be executed in any number of counterparts, each considered an original, and all counterparts that are executed shall have the same effect as if they were the same instrument.

IN WITNESS WHEREOF, the Parties have caused this Settlement Agreement to be duly executed by their respective duly authorized officers as of the date first written below.

DTE GAS COMPANY

By: **Richard P. Middleton**
Richard P. Middleton (P41278)
Attorney for DTE Gas Company

Digitally signed by Richard P. Middleton
DN: cn=Richard P. Middleton, o=DTE Energy
Company, ou=General Counsel Organization,
email=richard.middleton@dteenergy.com,
c=US
Date: 2016.10.17 16:48:55 -04'00'

Dated: October 17, 2016

MICHIGAN PUBLIC SERVICE COMMISSION STAFF

By: **Bryan A. Brandenburg**
Spencer A. Sattler (P70524)
Bryan A. Brandenburg (P77216)
Assistant Attorney General

Digitally signed by Bryan A. Brandenburg
DN: cn=Bryan A. Brandenburg, o=Attorney General
Department, ou=Public Service Division,
email=brandenburg@michigan.gov, c=US
Date: 2016.10.18 10:05:13 -04'00'

Dated: _____, 2016

M.P.S.C. No. 1 – Gas
DTE Gas Company
(Revised pursuant to Case No. U-18024)

Revised Sheet No. D-2.00
Cancels Revised Sheet No. D-2.00

D2. SURCHARGES

Rate Schedule No.	Energy Optimization Surcharge \$/Ccf
A Residential	<i>\$0.01450</i>
AS Low Income Senior Citizens	<i>\$0.01450</i>
2A Residential Multiple Family Dwelling Class I	<i>\$0.01326</i>
2A Residential Multiple Family Dwelling Class II	<i>\$0.01326</i>
GS-1 Non-Residential General Service	<i>\$0.01326</i>
GS-2 Large Volume	
<100,000 Mcf	<i>\$0.01326</i>
>100,000 Mcf	<i>\$0.00141</i>
S School	<i>\$0.01326</i>
ST Small Volume Transportation	<i>\$0.00141</i>
LT Large Volume Transportation	<i>\$0.00141</i>
XLT Extra Large Volume Transportation	<i>\$0.00141</i>
XXLT Double Extra Large Volume Transportation	<i>\$0.00141</i>
C&I/EUT Exploratory Program	<i>\$0.00080</i>

The Energy Optimization Surcharge is implemented on a “bills rendered” basis and is effective for a ____ month period commencing on _____ and ending _____.

This is only the proposed incremental language for the EO surcharge. This language would be added to the current Sheet D-2 in effect at the time the surcharge was approved. Because the surcharge(s) currently in effect may change between the time this sheet is proposed and its approval, only the language and rates at issue in this case are included. DTE Gas proposes this incremental language tariff to avoid confusion at the time of final tariff issuance.

Issued _____, 201__
D. M. Stanczak
Vice President
Regulatory Affairs

Detroit, Michigan

Effective for bills rendered on and after the first billing cycle of
_____, 201__

Issued under authority of the
Michigan Public Service Commission
Dated _____, 201__
In Case No. U-18024